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State of Delaware
ACFR Financial Statement
Internal Controls Report

What Was Performed? A report on internal controls over financial reporting and on compliance and other matters based on an audit of financial statements for fiscal year ending June 30, 2021.

Why This Engagement? Government auditing standards require the State to issue a report on the controls relied on in the financial statement audit of the State's Annual Comprehensive Financial Report (ACFR). Although the purposes of the ACFR is to provide financial transparency and accountability of the management of the state funds, this report is to provide information on any instances of improper controls and non-compliance that were considered to be reportable to the State. The internal control report and findings of the ACFR, were conducted according to generally accepted government auditing standards (GAGAS) but do not express an opinion on the effectiveness of the State's internal controls.

What Was Found? There were two findings in this report:

- There was a *material weakness*¹ found with the Department of Labor unemployment fund controls not being properly implemented to ensure that cash, taxes receivable, accounts receivable, intergovernmental receivables, claims payable, unemployment tax revenue, unemployment benefit expenses, and federal grants revenue were recorded accurately. As a result, the Department of Labor posted audit adjustments because of these misstatements.
- There was a *significant deficiency*² found with the Department of Labor unemployment insurance cash and cash equivalents. The reconciled book balance on the bank statement did not agree to the balance recorded in the general ledger. The Department of Labor posted an adjusting accounting entry of \$2,910, 437 with an unresolved variance of \$82,382 because of the reconciliation process variance found.

The State of Delaware's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards for the Fiscal Year 2021 can be found on our website [here](#).

For any questions regarding the attached report, please contact State Auditor Kathleen McGuinness at 302-739-5055 or Kathleen.McGuinness@delaware.gov.

¹ **Material Weakness** is a deficiency or a combination of deficiencies in internal control such that there is a reasonable possibility of material misstatement.

² **Significant Deficiency** is a deficiency or combination of deficiencies in internal control that is less severe than a material weakness but important enough to merit attention.